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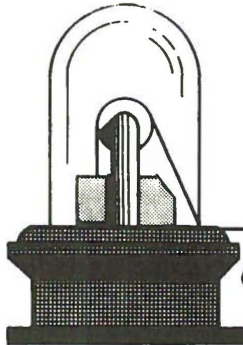
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Naval Postgraduate School

BUSINESS BAROMETER '70

Vol. III, No. 2

JAMES B. COWIE AT IFIP

For the first time, the Naval Postgraduate School was represented at the IFIP (International Federation of Information Processing) World Conference on Computer Education, which was held in Amsterdam, Holland, 24-28 August 1970. Associate Professor of Management Science, James B. Cowie presented his paper on "Computer Education From a General Purpose Decision Making Environment". This paper is a portion of his doctoral dissertation, which Prof. Cowie began at the Glasgow University Computing Laboratory and Completed at the Naval Postgraduate School. The paper describes the design and implementation of a complex decision making exercise for students in a management education program. The exercise has three principal goals:

- a. to provide a flexible educational tool to help integrate learning from a number of management topics.
- b. to stimulate interest in the computer processes which support the exercise leading to a better understanding of computer applications in business.
- c. to provide a framework for further small computer projects which would increase the likelihood of achieving (b) above.

The past twelve years have seen the development of many management decision making exercises (alias "games") which allow business students to "practice" decision making by organizing themselves in teams to make decisions in a stimulated competitive environment. This game can be run in such areas as production, marketing or finance, or it can be run using all possible variables that simulate a business environment. Game structure has been designed to offer considerable flexibility to the instructor.

Prof. Cowie has been teaching at the Naval Postgraduate School for approximately 7 years. He will be leaving the school this quarter to join the National Data Processing Service in London where he will be responsible for the Computer Educational Support of this organization.

PRECISION INVESTORS CLUB

The Precision Investors Club, primarily composed of students, faculty, and staff members, at the Naval Postgraduate School,

PRECISION INVESTORS CLUB (CONT.)

is an educational investment club. Its objective is to educate members in the handling of investment portfolios and to realize certain financial gain to its members.

The club meets one night each month in the offices of Dean Witter in Monterey. Membership is restricted to 25 members. An initial membership fee of \$100 is required. The monthly investment outlay is \$10 per person.

Presently there are five openings in the club's membership. The next meeting will be held on 20 October 1970. Anyone interested in joining the club should call 375-1676 or leave your name and phone number in SMC# 1259.

THE STRIKE AND THE ECONOMY

The strike is now a reality. The shutdown at General Motors can be viewed as the almost inevitable result of trying to live with the rapid inflation of recent years. Indeed, the key issue is a "catch up" of 26¢ an hour in cost of living adjustments which would have accrued to UAW workers had they not accepted a ceiling in the escalator clause as part of the 1967 agreement. Is a long strike likely? It took two months to settle the Ford strike three years ago and the bargaining differences at the outset appear much larger today. Add to these components a company that might be willing to take on a long strike in view of a soft economy and a new union leadership which seemingly has boxed itself in with very definitive demands, and you have the ingredients for a long pitched battle.

But is the outlook really that gloomy? GM must be anxious to keep its new Vega on the road alongside the Ford Pinto in the battle against foreign imports. Of perhaps greater importance to the company, however, is a realization that a strike atmosphere and the resulting sales figures have much to do with setting the tone of consumer confidence. Nor does the UAW seem to be dealing from a position of over-whelming strength. Since it has chose to take on GM, its current strike fund of \$120 million will only last for six-to-eight weeks. And, what about the Administration's interests as the November elections draw near. On the balance, then, one would not join the camp of pessimists who are predicting a long shutdown.

What about the economy? Removing \$12 million a day in GM wages from the personal income stream and a potential \$40 million a day of business for GM suppliers has to produce a significant ripple throughout the economy. Auto sales would no doubt stay down.

THE STRIKE AND THE ECONOMY (CONT.)

Retail sales would probably also remain sluggish. Poorer reading might also be expected in the Federal Reserve Board index, and current unemployment figures would not probably go lower but continue to increase. Thus, all bets might be off on any real growth in the fall of 1970.

Barring a prolonged and bitter strike - which admittedly could cause fundamental dislocations and distortions throughout all GNP sectors that would spill over into 1971 - the expected upcycle next year remains intact. A moderate strike could even actually help. Lower pressure on financial markets could be a key result of the shutdown. Reduced installment debt requirements would produce some relief in interest rates. The Fed, in an attempt to offset the economic effects of the Detroit situation, might keep monetary policy on its current tack of easement. Industry finally seems to be doing its bit in lowering the pressure on the financial sector, as revealed in sharply lower anticipated capital spending plans. All these factors might further the case for a cut in the prime rate later this fall.

No, the strike does not take away the promise of 1971 - a gradual, sustained economic recovery is still in order. This is why the market continues to give a good account of itself. With possible benefits for the financial markets over the intermediate term and a big potential longer term plus in halting the rapid rise in U.S. unit labor costs, the GM strike is currently not seen as a depressant on stocks and the economy.

Excerpted in part from "The Strike and the Economy", Weekly Bulletin, Clark, Dodge, & Co., September 21, 1970.